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Attorneys for Debtors and Debtors in Possession

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE EASTERN DISTRICT OF VIRGINIA
RICHMOND DIVISION**

In re:)	Chapter 11
)	
MOVIE GALLERY, INC., <u>et al.</u> , ¹)	Case No. 10-30696-DOT
)	
Debtors.)	
)	

**NOTICE OF REJECTION OF CERTAIN EXECUTORY CONTRACTS AND
UNEXPIRED LEASES AND ABANDONMENT OF PERSONAL PROPERTY
FILED FEBRUARY 24, 2010**

PLEASE TAKE NOTICE THAT on February 2, 2010, the above-captioned debtors (collectively, the “Debtors”) filed petitions commencing cases under the Bankruptcy Code, 11 U.S.C. § § 101-1532 (the “Bankruptcy Code”), in the United States Bankruptcy Court for the Eastern District of Virginia (the “Bankruptcy Court”).²

PLEASE TAKE FURTHER NOTICE THAT your rights may be affected. You should read these papers carefully and discuss them with your attorney, if you have one in these bankruptcy cases. (If you do not have an attorney, you may wish to consult one.)

PLEASE TAKE FURTHER NOTICE THAT on February 3, 2010, the Bankruptcy Court entered an order (the “Order”) approving expedited procedures for rejecting executory contracts and unexpired leases (the “Rejection Procedures”) [Docket No. 72]. A copy of the Order is attached hereto as Attachment I. Pursuant to the Order, the Debtors hereby notify you

¹ The Debtors in the cases are Movie Gallery, Inc., Hollywood Entertainment Corporation, Movie Gallery US, LLC, MG Real Estate, LLC, and HEC Real Estate, LLC.

² Capitalized terms used but not otherwise defined herein shall have the meanings set forth in the Motion of the Debtors for an Order Approving Expedited Procedures for Rejecting Executory Contracts and Unexpired Leases [Docket No. 19].

that the executory contracts and the unexpired leases (each, a “Designated Lease or Contract” and collectively, the “Designated Leases and Contracts”) set forth on Attachment II attached hereto are rejected effective as of the dates set forth on Attachment II corresponding to the listed Designated Leases and Contracts.

PLEASE TAKE FURTHER NOTICE THAT if you do not timely file and serve a written objection to the rejection of a Designated Lease or Contract, the Court may deem any opposition waived, treat the rejection as conceded and enter an order granting the relief requested in this Rejection Notice without further notice or a hearing.

PLEASE TAKE FURTHER NOTICE THAT if any party objects to the rejection of a Designated Lease or Contract, such objection must be filed with the Court at the following address: United States Bankruptcy Court, 701 East Broad Street, Richmond, Virginia 23219, Attn: Clerk of Court, and actually received by the following parties **no later than 10 days after the date of service of this Rejection Notice**:

- a. counsel for the Debtors: Kutak Rock LLP, 1111 East Main Street, Suite 800, Richmond, VA 23219, Attn: Michael A. Condyles, Esquire and Peter J. Barrett, Esquire;
- b. the Office of the United States Trustee for the Eastern District of Virginia (the “U.S. Trustee”), 701 East Broad Street, 4th Floor, Richmond, Virginia 23219, Attn: Robert Van Arsdale;
- c. counsel to the Official Committee of Unsecured Creditors:³
- d. counsel to the first lien collateral agent: McCarter & English, LLP, 185 Asylum Street, City Place I, Hartford Connecticut 06103, Attn: James Scantling;
- e. counsel to certain holders of pre-petition first lien debt: Brown Rudnick LLP, Seven Times Square, New York, New York 10036, Attn: Christopher J. Carolan;
- f. the second lien administrative agent and collateral agent: Wells Fargo Bank, N.A., 625 Marquette Avenue, Minneapolis, Minnesota 55479, Attn: Jeffrey Rose;
- g. counsel to first lien synthetic agent: Otterbourg, Steindler, Houston & Rosen, P.C., 230 Park Avenue, New York, New York, 10169, Attn: David W. Morse;
- h. counsel to administrative agent for pre-petition revolver lender: Haynes and Boone, LLP, 901 East Main Street, Suite 3100, Dallas, Texas 75202, Attn: Laurie G. Lang;

³ As of the date of the Notice, counsel for the Official Committee of Unsecured Creditors has not been appointed, please refer to the Order Establishing Certain Notice, Case Management and Administrative Procedures [Docket No. 118] for any additional service requirements.

- i. counsel to arranger of pre-petition revolver lender: O'Melveny & Meyers, LLP, 400 S. Hope Street, Los Angeles, California 90071, Attn: Stephen H. Warren.

PLEASE TAKE FURTHER NOTICE THAT if no party files an objection within 10 days of the date the Debtors serve the Rejection Notice, the Debtors shall file a certificate of no objection and a proposed order, substantially in the form of Exhibit 4 attached to the Order, authorizing the rejection of the Designated Leases and Contracts listed on Attachment II, with the effective date of such rejection to be as set forth on Attachment II.

PLEASE TAKE FURTHER NOTICE THAT if an objection to the rejection of any Designated Lease or Contract is timely filed and not withdrawn or resolved, the Debtors shall file a notice for a hearing to consider the objection for the Designated Lease or Contract to which the objection relates; provided that if such objection is filed with respect to the effective date of rejection of a Designated Lease or Contract, the Rejection Procedures shall not prejudice any parties' rights with respect to such effective date of rejection, and each party's burden with respect thereto shall be the same as if the Rejection Procedures did not exist. If such objection is filed by the counterparty to the Designated Lease or Contract and is overruled or withdrawn, such Designated Lease or Contract shall be rejected with the effective date of such rejection to be as set forth on the Attachment II. After any such objections are disposed of, the Debtors will submit an order substantially in the form of Exhibit 4 attached to the Order, which may be conformed to address the disposition of such objections.

PLEASE TAKE FURTHER NOTICE THAT if the Debtors have deposited property with the counterparty of a Designated Lease or Contract as a security deposit or other arrangement, such contract counterparty may not set off or otherwise use such deposit without prior authority of the Court; provided however, that the Rejection Procedures shall not impair the rights of a counterparty to a Lease or Contract to exercise the right to recoup under applicable law.

PLEASE TAKE FURTHER NOTICE THAT, any counterparty with a claim arising as a result of the rejection of a Designated Lease or Contract must file a proof of claim on or before the Rejection Claim Bar Date.

Dated: February 24, 2010
Richmond, Virginia

KUTAK ROCK LLP

By: /s/ Jeremy S. Williams

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ATTACHMENT I

ATTACHMENT II

Contract Counterparty	Address	Debtor Entity	Contract Type	Rejection Effective Date
Musa Tadros Family LP	c/o Crown Commercial Real Estate & Development 11438 S Michigan Avenue Chicago, IL 60628	HEC Real Estate, LLC	Amended and Restated Employment Agreement	February 24, 2010